

At the same time (April 3, 1905), a commission of money and exchange was created and a fund of 10,000,000 pesos was placed under its control, deposited in part at the National Bank of Mexico and in part at the other principal foreign banks. These funds were destined to support exchange in enabling the commission to buy or sell gold drafts according to the state of the market.¹

The work of the commission was given an entirely different direction from what was expected by the continued rise in the price of silver bullion, and by the close of 1905 Mexico was not only firmly established upon the gold standard, but was beginning to import gold in payment for her exports of silver. Up to the year 1904 exchange on New York had fluctuated in harmony, more or less exact, with the markets for silver bullion. During the latter half of 1904, however, this exchange became practically fixed at \$2.16 in Mexican money for \$1.00 in United States gold.⁹ The reason was in part the rise in silver, but was also in part the known purpose of Mexico to establish soon the relation of two to one. With the further rise in silver in 1905, which carried the average London, quotation for the metal to 271½ pence for the year, and to a maximum of 33½ pence early in 1906, it became no longer a question of maintaining the value of the silver coins, but of keeping them down to the gold value fixed by law.

The first importations of gold were encouraged by the government, in order to enable the banks to diversify their reserves, but before the close of 1906 the golden stream had become a torrent, and silver coins were freely exported because the market price of their bullion contents was above their legal value in Mexico. The cash holdings of the banks were \$74,035,198 (Mexican currency) in July, 1905, and were almost wholly in silver. By January, 1906, the amount

¹ Viollet declares that this "completed in a happy way the reform, which could not have been accomplished if it had been founded exclusively on the scarcity of money."—*E* Probleme dff P Argent ft PtLtalon d'Or au Mexique*, 202,

⁹ *Commission on International Exchange ^ 1904 ^*
29.